

## Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 IO-13 STRE-00 AF-10 ARA-10 EA-07

EUR-12 NEA-10 OIC-02 SSO-00 NSCE-00 USIE-00

INRE-00 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00

FRB-03 H-01 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 EPG-02 AID-05 SS-15 STR-04 ITC-01

TRSE-00 PRS-01 SP-02 FEAE-00 OMB-01 /134 W

-----065393 251335Z /46

O P 251210Z JUL 77

FM USMISSION GENEVA

TO SECSTATE WASHDC IMMEDIATE 9620

INFO AMEMBASSY BRUSSELS PRIORITY

AMEMBASSY LONDON PRIORITY

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USEEC

LONDON FOR ASST SEC KATZ AND DOC ASST SEC WEL; DEPT PLS PASS  
ELECTRONICALLY TO STR FOR AMB STRAUSS; ALSO FOR DOC ASST SEC  
WEILL AND DOL DEP ASSOC UNDERSEC BLACKMAN

E.O. 11652: N/A

TAGS: ETRD, GATT, EEC

SUBJ: TEXTILES/MFA RENEWAL

1. SUMMARY: DURING TEXTILES COMMITTEE (TC) MEETING ON JULY 24,  
US PROPOSED THAT PROTOCOL BE OPENED ON DEC 15, 1977 TO EXTEND  
MFA IN PRESENT FORM FOR FOUR YEARS, SUBJECT TO UNDERSTANDINGS  
REGARDING IMPLEMENTATION OF MFA SET OUT IN PAPER CIRCULATED AT  
REQUEST OF U.S. AS CHAIRMAN OF INFORMAL WORKING GROUP. :COM.  
TEX/W/44; CALLED "PAPER 44" HEREAFTER; TEXT SENT SEPTEL.) PAPER 44,  
INCLUDING REQUEST FOR PROTOCOL, WAS SUPPORTED BY 15 OTHER MFA  
PARTICIPANTS ACCOUNTING FOR ABOUT 85 PERCENT OF WORLD TRADE IN  
TEXTILES. ALTERNATIVE PAPER, CIRCULATED BY BRAZIL AND INDIA  
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(COM.TEX/W/43; CALLED "PAPER 43" HEREAFTER, TEXT SENT  
SPETEL), WAS SUPPORTED BY 11 PARTICIPANTS. ALTHOUGH TC  
ITSELF WAS UNABLE TO REACH CONCLUSION (TC OPERATES ON  
CONSENSUS BASIS) ON FUTURE OF MFA, AFTER MEETING ENDED  
GATT DIRECTOR-GENERAL LONG, ON BASIS U.S. INQUIRY, STATED  
THAT IF GOUNP OF COUNTRIES REQUESTED D-G OF GATT TO OPEN  
PROTOCOL, IT WOULD BE DONE. SUPPORTERS OF U.S. PAPER THEN

MET AND AGREED TO SEEK OPENING OF PROTOCOL EXTENDING MFA ON BASIS U.S. STATEMENT AND PAPER; MEMBERS U.S. DEL MEETING WITH GATT STAFF JULY 25 TO EXPLORE PROCEDURES. END SUMMARY.

2. TC MET AFTERNOON OF JULY 24, AFTER 17-DAY PAUSE, TO CONTINUE FORMAL CONSIDERATION OF FUTURE OF MFA. CHAIRMAN U.S. DEL SMITH SPOKE FIRST (TEXT SENT SEPTTEL), POINTING OUT THAT U.S. HAD REQUESTED CIRCULATION OF PAPER 44, DEVELOPED BY NINE-MEMBER WORKING GROUP FORMED AT REQUEST OF DIRECTOR-GENERAL LONG, IN HIS CAPACITY AS CHAIRMAN OF THAT GROUP. U.S. FULLY SUPPORTED PAPER AND STATED BELIEF THAT ELEMENTS OF PAPER CONCERNED WITH EC PROBLEMS WAS REAFFIRMATION OF MEANS PRESENTLY AVAILABLE UNDER MFA. U.S. THEN REQUESTED THAT PROTOCOL FOR EXTENSION OF MFA IN PRESENT FORM BE OPENED AS FROM DEC 15, 1977, SUBJECT TO UNDERSTANDINGS REGARDING IMPLEMENTATION OF MFA SET OUT IN PAPER 44.

3. THUAN, SPEAKING FOR EC, MADE NOTABLY BRIEF STATEMENT TO EFFECT THAT, WHILE PAPER 44 DID NOT CORRESPOND TO EC'S ORIGINAL EXPECTATIONS, EC WAS READY TO SECOND THE PAPER FULLY.

4. IMMEDIATELY AFTER THUAN'S STATEMENT, COLMANT, HEAD OF FRENCH DELEGATION TO GATT (HE SITS AS FRENCH ADVISER LIMITED OFFICIAL USE

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TO EC REPS), SOUGHT FLOOR. ON POINT OF ORDER, THUAN OBJECTED ON GROUNDS THAT UNDER ARTICLES 113, 128 OF ROME TREATY, EC WAS SIGNATORY TO MFA IN BEHALF OF ALL MEMBER STATES AND WAS SPOKESMAN FOR ALL MEMBER STATES. AFTER STATING THAT THIS QUESTION "WAS FOR EC TO DECIDE," LONG ALLOWED COLMANT TO SPEAK. COLMANT NOTED THAT FRANCE SUPPORTED EXTENSION OF MFA ON BASIS EC STATEMENT GIVEN DURING TC SESSION ON JULY 5; HE COULD NOT SUPPORT THUAN'S STATEMENT OF JULY 24. THUAN THEN TOLD D-G LONG THAT COLMANT STATEMENT SHOULD BE DECLARED NULL AND VOID. D-G LONG'S CLEAR EVASION OF CHAIRMAN'S RESPONSIBILITY AND THE RESULTING COLMANT INTERVENTION WILL UNDOUBTEDLY PRODUCE MAJOR BROUHAHA IN BURLIMONT.

5. JAPANESE DEL SAKAI STATED THAT PAPER 44 CAUSED JAPAN SEVERAL PROBLEMS BUT THAT IN ORDER TO COOPERATE, JAPANESE WERE READY TO SUPPORT IT PENDING CONFIRMATION FROM HOME GOVT.

6. MILLS, FOR HONG KONG, FELT THAT CHOICE WAS NOT BETWEEN PAPER 44 AND PAPER 43, BUT BETWEEN PAPER 44 AND NO MFA. HE FELT THAT IT WAS IN INTEREST OF ALL EXPORT-

ING COUNTRIES TO SUPPORT PAPER 44 AND THAT PORTION OF PAPER CONCERNING EC PROBLEMS WAS REAFFIRMATION OF PRESENT AND PAST PRACTICES.

7. SHIN (KOREA) FOUND SITUATION EMBARRASSING AND PERPLEXING; HE WISHED SUPPORT DEVELOPING COUNTRIES BUT TEXTILE TRADE WAS IMPORTANT TO KOREA. ALTHOUGH HE SAW DEFECTS AND MERITS IN BOTH PAPERS, HE WOULD SUPPORT PAPER 43 IF EC COULD ACCEPT; BECAUSE THIS WAS NOT POSSIBLE, HE SUPPORTED PAPER 44, SUBJECT TO CONFIRMATION BY HIS GOVT.

8. DELGADO (MEXICO) NOTED THAT HIS INSTRUCTIONS WERE TO SEEK RENEWAL OF MFA IN PRESENT FORM; HE ASSOCIATED LIMITED OFFICIAL USE

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TED MEXICO WITH PAPER 44 WITH RESPECT TO OPENING A PROTOCOL ON DEC 15, 1977 FOR EXTENSION IN PRESENT FORM.

9. BRAZILIAN REP ROUANET STATED THAT DEVELOPING COUNTRIES HAD HAD VIEWS ON DESIRABLE MODIFICATIONS OF MFA, BUT, IN SPIRIT OF COMPROMISE, HAD CONCLUDED THAT THEIR BEST GUARANTEE OF FAIR TREATMENT WAS HONEST IMPLEMENTATION OF MFA, PERHAPS WITH NO TEXTUAL MODIFICATION OF MFA. HE FELT THAT DOCUMENT CIRCULATED BY BRAZIL AND INDIA WAS BEST SUMMARY BASIS FOR RENEWAL. HE COULD NOT ASSOCIATE HIMSELF WITH PAPER 44 BECAUSE HE FELT SECTION DEALING WITH EC PROBLEMS VIOLATED MFA. HE FELT THAT SO-CALLED IMPORT PROBLEMS WERE REALLY RESULT OF ABSORPTION OF SMALL FIRMS BY LARGE ONES AND CHANGES IN TECHNOLOGY. HE CONTINUED THAT IT WAS NOT ACCEPTABLE TO EXTEND MFA AND SIMULTANEOUSLY PERMIT VIOLATION OF ITS PROVISIONS. IN ADDITION, PAPER 44 WOULD STRENGTHEN HANDS OF LARGE IMPORTERS IN DEALING WITH EXPORTERS. ACCORDINGLY, HE PREFERRED TO USE PAPER 43 AS BASIS FOR RENEWAL OF MFA.

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EUR-12 NEA-10 OIC-02 SSO-00 NSCE-00 USIE-00  
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TRSE-00 PRS-01 SP-02 FEAE-00 OMB-01 /134 W

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USEEC

10. AUSTRIAN REP FELT THAT ALTHOUGH PAPER 44 DID NOT SATISFY NEEDS, HE WOULD SUPPORT IT. SWISS REP EBERHARDT SUPPORTED PAPER 44 AND BELIEVED IT REPRESENTED BALANCED INTERPRETATION INVOLVING PARTICULAR TEMPORARY CIRCUMSTANCES. SWEDEN'S CRAFOORD, SPEAKING ALSO FOR NORWAY AND FINLAND, STATED THAT DESPITE ITS SHORTCOMINGS, HE SUPPORTED PAPER 44.

11. RAMAKRISHNA OF INDIA FELT THAT PAPER 43 WAS BETTER OF TWO EVILS. HE FELT THAT UNDER THIS PAPER, A FEW PARTICIPATING EXPORTING COUNTRIES WERE TOLD TO SACRIFICE, WHILE UNDER PAPER 44, ALL WERE PUT ON SCAFFOLD. HE BELIEVED PAPER 44 WAS UNACCEPTABLE BECAUSE OF PARAGRAPH ON EC PROBLEMS, WHICH IN HIS VIEW 1) WEAKENED STRUCTURE OF MFA, 2) STOPPED TSB FROM EXAMINING CONFORMITY WITH MFA OF ANY DEPARTURES, 3) "WAIVER" WAS ALL PERVASIVE, NOT LIMITED TO EC. HE FELT THAT PRUDENT COURSE WAS TO LIMITED OFFICIAL USE

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POSTPONE ANY DECISION ON RENEWAL; HE ALSO PROPOSED THAT PAPER 43 BE ADOPTED AS BASIS ON WHICH MFA WOULD EVENTUALLY BE EXTENDED.

12. PETRESCU OF ROMANIA SAID HE WOULD SUPPORT PAPER 43 IF HE HAD TO MAKE A CHOICE. TOMIC (YUGOSLOVIA) FELT THAT PAPER 43 WAS MAXIMUM FEASIBLE APPROACH TO TEXTILE PROBLEMS.

13. HUNGARY, SPAIN, COLOMBIA, SRI LANKA, GUATEMALA, AND URUGAY ALL GENERALLY SUPPORTED PAPER 43 BUT FELT THAT SHORT DELAY IN TC CONSIDERATION OF RENEWAL WOULD

BE HELPFUL FOR MOST DELS.

14. GARRIDO OF PHILIPPINES, SPEAKING FOR ASEAN'S, NOTED THAT THEIR INSTINCTIVE PREFERENCE WAS FOR PAPER 43 BUT THEY BELIEVED ITS ADOPTION WOULD MEAN NONEXISTENCE OF MFA. ACCORDINGLY, THEY WISHED HE ASSOCIATED WITH HONG KONG, MEXICO AND KOREA IN SUPPORTING PAPER 44 IN PRINCIPLE, INCLUDING OPENING PROTOCOL.

15. CANADA, AUSTRALIA AND PAKISTAN RESERVED POSITION ON BOTH PAPERS. CANADA FELT THAT PROVISIONS OF PAPER 44 SHOULD BE AVAILABLE FOR USE BY ALL AND THAT GATT RIGHTS MUST NOT BE IMPAIRED. AUSTRALIA FELT THAT PAPER 44 ENSHRINED SPECIAL TREATMENT FOR SOME; THEY ALSO FELT GATT RIGHTS SHOULD NOT BE RESTRICTED.

16. WHEN CHAIRMAN THEN ASKED IF THERE WAS VALUE TO A SHORT DELAY IN TC PROCEEDINGS, TRAN RESPONDED THE HE NEEDED DECISION ON JULY 24. LONG THEN STATED COMMITTEE "HAD ITS ANSWER" AND PROCEEDED TO SUMMARIZE RESULTS OF TC MEETING. HE STATED THAT PRACTICALLY ALL THOSE LIMITED OFFICIAL USE

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WHO SPOKE INDICATED WILL TO EXTEND MFA BUT THAT QUESTIONS ON MANNER OF EXTENSION REMAINED. SOME DELEGATIONS HAD SPOKEN IN FAVOR OF FORMULA PROPOSED BY BRAZIL AND INDIA. ALSO, A NUMBER OF DELEGATIONS HAD INDICATED A DESIRE TO FORGE AHEAD ON BASIS OF PAPER 44; HE UNDERSTOOD THAT THESE COUNTRIES WERE FIRM IN THEIR INTENTION TO GO AHEAD ON THAT BASIS. OTHER DELEGATIONS HAD REQUESTED A DELAY. HE DID NOT THINK IT WOULD BE POSSIBLE TO BRING VIEWS CLOSER DURING NEXT FEW DAYS; THEREFORE, TC WAS NOT IN A POSITION TO DECIDE ON THE FUTURE OF THE MFA. HE SUGGESTED THAT TC BE READY TO MEET AGAIN AS SOON AS IT COULD DO SO USEFULLY. WITHOUT GIVING OPPORTUNITY FOR FURTHER VIEWS, HE ABRUPTLY GAVELED MEETING TO CLOSE.

17. AFTER MEETING, U.S. CHAIRMAN SMITH APPROACHED LONG AND INQUIRED ABOUT STATUS U.S. REQUEST FOR OPENING OF PROTOCOL. SOMEWHAT NONPLUSSED, LONG SAID HE WAS NOT AWARE OF U.S. REQUEST. AFTER HIS STAFF CONFIRMED U.S. HAD MADE REQUEST (AND THAT THERE WAS INDIRECT REFERENCE TO IT BY LONG DURING SUMMATION), LONG AND PATTERSON BOTH STATED THAT IF GROUP OF COUNTRIES WISHED TO OPEN PROTOCOL, IT WOULD BE DONE. COUNTRIES SUPPORTING U.S. POSITION THEN MET INFORMALLY AND AGREED PROCEED WITH FORMAL STEPS OPEN PROTOCOL. U.S. WILL SUBMIT FORMAL LETTER TO GATT DIRECTOR-GENERAL, ON BEHALF PAPER 44 SUPPORTERS, REQUESTING OPENING OF PROTOCOL FOR RENEWAL OF MFA SUBJECT TO UNDERSTANDINGS

REGARDING IMPLEMENTATION OF MFA IN DOCUMENT COM.TEX/W/44.  
TRAN HAS ASKED THAT EC BE ASSOCIATED WITH REQUEST FOR PROTOCOL IN  
LETTER TO BE SENT BY U.S.  
U.S. DEL MEETING WITH GATT SECRETARIAT TODAY (JULY 25)  
TO GO OVER PROCEDURES TO BE FOLLOWED.

18. FURTHER COMMENT WILL FOLLOW AFTER TODAY'S PROCE-  
DURAL MEETING WITH GATT SECRETARIAT. VANDEN HEUVEL

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009